

## **MODULE 8 OUTLINE OF CONTENTS MOTOR VEHICLE RATE FILINGS**

- A. [Private Passenger Auto Rate Deviations](#)
- B. [Commercial Automobile](#)
- C. [Antique Automobile](#)
- D. [Motorcycle Insurance](#)
- E. [Additional Filing Provisions](#)

### **A. Private Passenger Auto Rate Deviations**

#### **A. Private Passenger Auto Rate Deviations**

##### **Chapter 175: Section 113B Classification of Risks and Premium Changes**

##### **Deviations**

Any company may make written application to the Commissioner for permission to use, in place of the premium charges fixed and established by her, a percentage decrease from the premium charges.

\_\_\_\_\_ The percentage decrease from the fixed and established premium charges shall be uniform for all such classifications throughout the Commonwealth.

\_\_\_\_\_ Every application for permission to deviate shall be filed with the Commissioner subsequent to and within 25 calendar days of her having filed in her office the Commissioner's Decision and shall specify the basis therefor and shall be accompanied by the data upon which the applicant relies.

\_\_\_\_\_ The company shall send a copy of the application and data simultaneously to the Automobile Insurers' Bureau ("Bureau") or any successor organization thereto.

The proposed deviations shall be allowed only if the Commissioner finds that the premium charges the applicant desires to use are adequate, just, reasonable and nondiscriminatory and will not be used by the applicant as a means of attracting only such risks as are regarded as presenting less hazard of loss than other risks in the same classification.

The Commissioner may set the time and the place for a hearing on such application if she determines that the application is significantly different from other such applications previously approved. At such hearing, the applicant and said Bureau or any member thereof may be heard.

The time established for the hearing shall not be later than 14 days after receipt by the Commissioner of the application.

If the Commissioner finds that the deviation is justified and the resulting premium charges satisfy the requirements of this section, she shall issue an order permitting the deviation to be used by the applicant for the ensuing year beginning April 1; provided, however, that the approval of any deviation shall be issued within 10 calendar days of its filing if no hearing has been ordered for the application, or within 10 calendar days of the date of a hearing on the application for which a hearing has been ordered.

## **B. Commercial Automobile**

### **211 CMR 91.00: Motor Vehicle Insurance Rates and Rating Organizations**

#### **211 CMR 91.04 Activities of Rating Organizations**

Any Rating Organization may, with the participation of its members:

- (1) Develop and make recommendations to the Commissioner of Insurance with respect to statistical plans.
- (2) Collect, compile and distribute Statistical Information to its members and subscribers, provided such information shall be supplied upon request to the Division of Insurance and, upon payment of a reasonable charge therefor, to any Insurer or other person, whether or not a member or subscriber of the Rating Organization.
- (3) Prepare, distribute and file Rating Manuals on behalf of any member or subscriber which authorizes it to make such a filing in accordance with MGL c. 175E, § 6(a)(10).
- (4) Prepare, distribute and file policy forms and endorsements on behalf of any member or subscriber which authorizes it to make such a filing in accordance with MGL c. 175E, § 6(a)(10).
- (5) Conduct and publish studies of general actuarial and rate making issues, provided such studies shall be supplied, upon request, to the Division of Insurance and, upon payment of reasonable charge therefor, to any insurer or other person, whether or not a member or subscriber of the Rating Organization.
- (6) Perform any other actions in connection with motor vehicle insurance rates, which are not inconsistent with MGL c. 175E.

Any Rating Organization may, without the participation of its members:

- (1) Prepare and file an Advisory Filing for any motor vehicle coverage subject to MGL c. 175E.
- (2) Prepare and file a Rate Filing on behalf of any member or subscriber which authorizes it to make such a filing in accordance with MGL c. 175E, § 6(a)(10), for any motor vehicle coverage subject to MGL c. 175E, other than "trucks, trailers and tractors" and "private passenger type" commercial coverages, and taxi, garage/dealer and motorcycle coverages.

(3) Prepare and file a Rate Filing on behalf of the Massachusetts Motor Vehicle Reinsurance Facility or any residual market organization which is authorized or directed by law to file rates for any motor vehicle insurance coverage subject to MGL c. 175E and which authorizes it to make such a filing.

(4) Prepare and file a Rate Filing on behalf of any Insurer or Insurance Company Group which wrote less than 1% of the premiums for motor vehicle insurance in the commonwealth, as determined under MGL c. 175E, s. 4(e) and 211 CMR 91.00, and which authorizes it to make such a filing in accordance with MGL c. 175E, § 6(a)(10).

(5) If an Insurer, writing less than 1% of the premiums for motor vehicle insurance in the Commonwealth, as determined under MGL c.175E, s. 4(e), and 211 CMR 91.00, has expenses, including commissions, prior to trending, which are 80% or less than those underlying the rate filing made by a Rating Organization on behalf of such Insurer or the rate filing of another Insurer which is adopted by such Insurer, that Insurer shall not adopt the external rate filing without deviating therefrom so as to reflect its lower expenses, unless specific and substantial reasons for not so deviating have been provided to and approved by the Commissioner.

## **211 CMR 91.06: Filings**

### **Time for Rate Filings**

\_\_\_\_\_ Any Rate Filing shall be submitted to the Commissioner not less than 45 days prior to its proposed effective date. Three copies of any Rate Filing shall be submitted to the Commissioner and one copy to the Attorney General, unless the Commissioner directs otherwise.

### **Time for Advisory Filings**

\_\_\_\_\_ Advisory Filings may be filed at any time, but must be filed no less than 10 days before any hearing at which they may be considered. Three (3) copies of any Advisory Filing shall be submitted to the Commissioner and one (1) copy to the Attorney General, unless the Commissioner directs otherwise.

### **Supporting Information**

\_\_\_\_\_ The Commissioner may require any Insurer, Insurance Company Group or Rating Organization to furnish the information upon which it supports its Rate Filing.

### **Format or Required Exhibits or Illustrated Rating Criteria**

Rate Filings and Advisory Filings, and supporting information as applicable, shall be presented in the following order:

\_\_\_\_\_ (a) Summary of rate level changes

\_\_\_\_\_ (b) Rate level calculations for each coverage

- \_\_\_\_\_ (c) Premiums and exposures
- \_\_\_\_\_ (d) Adjustments to Premiums and Exposures
- \_\_\_\_\_ (e) Reported losses
- \_\_\_\_\_ (f) Development factors
- \_\_\_\_\_ (g) Claim cost trends
- \_\_\_\_\_ (h) Frequency trends
- \_\_\_\_\_ (i) Other adjustments to losses
- \_\_\_\_\_ (j) Claim adjustment expenses
- \_\_\_\_\_ (k) Commission Expenses
- \_\_\_\_\_ (l) Other expenses
- \_\_\_\_\_ (m) Expense trends
- \_\_\_\_\_ (n) Underwriting Profit, including due consideration of investment income
- \_\_\_\_\_ (o) Classification Plans
- \_\_\_\_\_ (p) Territorial, Classification and Rating relativities
- \_\_\_\_\_ (q) Increased limits factors
- \_\_\_\_\_ (r) Deductible and miscellaneous rating factors
- \_\_\_\_\_ (s) Data sources
- \_\_\_\_\_ (t) Credibility
- \_\_\_\_\_ (u) Miscellaneous

### **Credibility Method**

- \_\_\_\_\_ Rate Filings may use any reasonable credibility method to support the use of rates developed, in whole or in part, on the basis of External Loss, Expense or Other Factors.

### **Submission of Loss / Expense Experience**

- \_\_\_\_\_ Every Insurer which writes 1% or more of the premiums for Motor Vehicle Insurance in the Commonwealth in the preceding year must submit with its Rate Filing its own loss and expense experience to support the reasonableness of its use of External Loss, Expense or Other Factors. The determination of which insurers write less than 1% of the premiums for Motor Vehicle Insurance in the Commonwealth, under MGL c. 175E, § 4(e) and for the purposes of 211 CMR

91.00, shall be made by comparing the written premium of each Insurer, for private passenger and commercial coverages separately, as reported in the Insurer's most recent annual statement, with the total premiums written by all Insurers for such coverages.

**MGL c. 175E: Commercial Auto / Regulation of Rates**

**Chapter 175E: Section 2: Application of chapter**

Chapter 175E applies to coverage, whether compulsory or not, which is or may be afforded under motor vehicle liability policies or bonds.

**Chapter 175E: Section 3: Application of chapter 175A**

The provisions of chapter 175A, which are not inconsistent with chapter 175E, shall apply to rate regulation pursuant to this chapter.

**Chapter 175E: Section 4: Standards applicable to making and use of motor vehicle insurance rates**

**Standards**

The following standards shall apply to the making and use of rates pertaining to all insurance to which the provisions of this chapter are applicable:

Rates shall not be excessive or inadequate, as herein defined, nor shall they be unfairly discriminatory.

No rate shall be held to be excessive unless such rate is unreasonably high for the insurance provided.

Evidence that a reasonable degree of competition exists in the area with respect to the classification to which such rate is applicable shall be considered as material, but not conclusive evidence, that such rate is not excessive.

No rate shall be held to be inadequate unless:

- (1) such rate is unreasonably low for the insurance provided and
- (2) the continued use of such rate endangers the solvency of the insurer using the same, or unless
- (3) such rate is unreasonably low for the insurance provided and the use of such rate by the insurer using same has, or if continued will have, the effect of destroying competition or creating a monopoly.

Consideration shall be given, to the extent applicable, to past and prospective loss experience within and outside the commonwealth, to catastrophe hazards, to a reasonable rate of return on capital after provision for investment income, to past and prospective

expenses both country-wide and those specially applicable to the Commonwealth, and to all other factors, including judgment factors, deemed relevant within and outside the Commonwealth.

Consideration may also be given in the making and use of rates to dividends, savings or unabsorbed premium deposits allowed or returned by insurers to their policyholders, members or subscribers.

The systems of expense provisions included in the rates for use by any insurer or group of insurers may differ from those of other insurers or groups of insurers to reflect the operating methods of any such insurer or group with respect to any kind of insurance, or with respect to any subdivision or combination thereof.

### **Risk Classifications**

\_\_\_\_\_ Risks may be grouped by classification for the establishment of rates and minimum premiums. Classification rates may be modified to produce rates for individual risks in accordance with rating plans which establish standards for measuring variations in hazards or expense provisions, or both. Such standards may measure any difference among risks that have a probable effect upon losses or expenses. Such classifications and modifications shall apply to all risks under the same or substantially the same circumstances or conditions.

### **Territories**

\_\_\_\_\_ For motor vehicle insurance rates, the Commissioner shall establish a classification of risks that shall include a designation of not less than 15 territories.

### **Anti Theft / Safety Features**

\_\_\_\_\_ For motor vehicle insurance rates, appropriate reductions in premium charges shall be applied to vehicles that are less damageable than others due to safety features incorporated into such vehicles and to those vehicles equipped with an anti-theft mechanism or device approved by the Commissioner.

### **Motorist Over 65**

\_\_\_\_\_ For motor vehicle insurance, rates for an insured age 65 years or older, who otherwise qualify for the lowest rate classification applicable to drivers generally, shall be 25% less than the applicable rate for such classification.

### **Sex / Marital Status / Age**

\_\_\_\_\_ For motor vehicle insurance rates, risks shall not be grouped by sex or marital status and shall not be grouped by age except to produce the reduction in rates for insureds age 65 years or older required by this clause.

### **Use of External Factors**

\_\_\_\_\_ No insurer shall use rates developed on the basis of external loss and expense factors without making such modification of such rates as the credibility of its own loss and expense experience allows.

### **Filing of Loss and Expense Experience**

\_\_\_\_\_ Any insurer writing 1% or more of the premiums for motor vehicle insurance in the commonwealth during the preceding calendar year shall file with the Commissioner or his designated representative under the provisions of section 7 its own loss and expense experience to demonstrate the extent, if any, to which such insurer must so modify rates developed on the basis of external loss and expense factors.

## **Chapter 175E: Section 7: Manual of Classifications, Rules and Rates; Filing; Copies**

### **Filing Requirements**

\_\_\_\_\_ Every insurer or rating organization authorized to file on behalf of an insurer shall file with the Commissioner or her designated representative every manual of its classifications, rules and rates, rating plans (or modifications of any of the foregoing) not less than 45 days before the effective date thereof.

\_\_\_\_\_ Every such filing shall state the effective date thereof, and such filing shall indicate the character and extent of the coverage contemplated.

\_\_\_\_\_ The Commissioner may require the insurer or rating organization to furnish the information upon which it supports such filing.

### **Format to be Used**

The Commissioner may specify the form to be used for any filing or submission pursuant to this chapter.

### **Interest on Premium**

Any adjustment of premiums as set forth in the prior paragraph shall include interest at the rate of 8 % per annum.

## **C. Antique Automobile** (also see rate requirements under Chapter 175E)

### **Chapter 175: Section 113U: Antique motor car policies**

Insurance companies undertaking to issue motor vehicle liability policies or motor vehicle liability bonds, as defined in MGL c. 90, s. 34A, may issue and deliver policies insuring antique motor cars, as defined in section 1 of said chapter 90. Antique motor car insurance policies shall be exempt from the provisions of section 113B (proceeding to fix and establish rates) and 113H (requirement that the insurer be a member of the residual market pool.)

\_\_\_\_\_ Insurers may only provide antique automobile rates to automobiles that have model years of 25 years or greater.

## **D. Motorcycle Insurance**

### **211 CMR 3.00: Motorcycle Insurance**

#### **211 CMR 3.00(5) Premium Charges**

The premium charges for motor vehicle policies insuring motorcycles shall be the same as those fixed, established and approved by the Commissioner of Insurance for motorcycles pursuant to MGL c. 175, §§ 113B and 113C.

## **E. Additional Filing Provisions:**

\_\_\_\_\_ Unfairly discriminatory rating practices are prohibited. This certifies that the attached filing contains rates that are fair and are fairly discriminatory.

\_\_\_\_\_ Automobile Insurance Rates must be submitted as **stand-alone**. The rates may not be combined with any other lines of insurance nor may be part of a package or multi-peril policy. This certifies that the attached filing rates are stand alone and are neither combined with other lines of insurance or part of a package or multi-peril policies.

\_\_\_\_\_ Filers strictly adopting rating bureau rates for automobiles must adopt the Automobile Insurer's Bureau (AIB) rates and rules. Filers may not use rates created by Insurance Services Office, American Association of Insurance Services or other rating bureaus aside from the AIB.

\_\_\_\_\_ Rates for Commercial Automobile and Garagekeepers' may be filed together, but the rating categories for these coverages must be listed separately. Due to the variation of these rates for coverage, they should be clearly labeled.

## **Unfair and Deceptive Trade Practices:**

\_\_\_\_\_ Any filing not in compliance with the above referenced requirements may be deemed to be in violation of the provisions of Chapter 176D of the Massachusetts General Laws. We hereby certify that the provisions set forth in this filing do not entail any intentional unfair and deceptive trade practices. Furthermore, we understand that we are subject to the penalties associated with practices that are in clear violation of this statute.